



ILLINOIS RACING BOARD

MINUTES OF REGULAR MEETING

On Tuesday, September 30, 2014, a regular meeting of the Illinois Racing Board was held at 10:00 a.m. at the James R. Thompson Center, Chicago, Illinois. The following Board members were present: Chairman William Berry, Commissioners Kathy Byrne, Tom McCauley, Benjamin Reyes, Orion Samuelson, Hugh Scates, Robert Schiewe, Jr., Melody Spann-Cooper, Gregory Sronce and Roger Whalen. Staff members Marc Laino, Katherine Laurent, Bob Lang and Mickey Ezzo were also present.

AWARD OF 2015 ORGANIZATION LICENSES AND ALLOCATION OF 2015 RACE DATES (CONTESTED CASE)

Chairman Berry moved to approve the following race dates schedule and conditions for 2015. Commissioner Reyes seconded the motion.

Balmoral Racing Club, Inc. – 95 live programs and 224 dark host programs for a total of 319

Live racing January 3rd and 4th and January 31st through June 30th, 2 nights per week, Saturdays and Sundays. No live racing on Super Bowl Sunday, February 1st and Easter, April 5th.

Live racing July 1st through December 31st, 2 nights per week, Fridays and Saturdays. No live racing on Christmas.

Maywood Park Trotting Association, Inc. - 46 live programs and zero dark host programs for a total of 46

Live racing January 1st and 2nd and January 29th through June 30th, 2 nights per week, Thursdays and Fridays.

Fairmount Park, Inc. – 52 live programs

Live racing April 7th through September 12th

Racing 2 and 3 days per week on Tuesdays, Fridays and Saturdays. No live racing on Friday, July 3rd.

Arlington International Racecourse, LLC - 77 live programs and 107 dark host programs for a total of 184

Dark host period - January 4th through January 30th

Live racing April 27th through September 30th

Racing 3 days per week in May, June and September, Fridays, Saturdays and Sundays. Racing 4 days per week in July and August, Thursdays through Sundays. Live racing will be conducted on Memorial Day, May 25th and Labor Day, September 7th.

Hawthorne Race Course, Inc. – 83 live programs and 98 dark host programs for a total of 181

Dark host period – January 31st through February 19th

Live racing on January 1st, 2nd and 3rd and February 20th through April 26th racing 2 days per week in February, Fridays and Saturdays, and 3 days per week in March, Fridays, Saturdays and Sundays. No live racing on Sunday, March 1st. Racing 4 days per week in April, Wednesdays, Fridays, Saturdays and Sundays. No live racing on Easter, April 5th.

Live racing October 1st through December 31st

Racing 4 days per week, Wednesdays through Saturdays. No live racing on Thursday, October 1st, Thanksgiving, November 26th, and Christmas Eve and Christmas.

CONDITIONS FOR ALL ORGANIZATION LICENSEES:

1. Consistent with Section 29(d) of the Act, each organization licensee shall have a written agreement with their respective horsemen's association no later than 60 days before the commencement of their respective race meet. If no agreement is reached by the 60-day deadline, the organization licensee shall immediately notify the Board's Executive Director. The Chairman shall designate a mediator to resolve the dispute.
2. Pursuant to Section 3.075(a) of the Act, each organization licensee shall have an agreement with their respective horsemen's association to allow a lesser schedule than five (5) days of racing per week.
3. No organization licensee shall conduct fewer than eight (8) races per live race card.
4. Each organization licensee shall adhere to their published post times for each race except when minor adjustments are necessary; and
5. Each organization licensee shall maintain an open backstretch for the entirety of their race meet with sufficient dormitory rooms to house backstretch workers and sufficient stall space to accommodate horses for all race dates awarded, subject to the Memorandum of Understanding regarding the availability of backstretches dated March 7, 2014 between the Illinois Harness Horsemen's Association and Balmoral Park and Maywood Park, consistent with applicable state and local occupancy statutes and ordinances.

CONDITIONS FOR INDIVIDUAL ORGANIZATION LICENSEES:

1. Hawthorne Race Course is required to maintain the existing secured lines of credit and secured loans, and to produce written confirmation letters from those financial institutions verifying the loans have been maintained and extended, with sufficient available credit to satisfy all statutory obligations through the entirety of its 2015 race meet; and
2. Fairmount Park is required to implement an emergency track warning system for loose or out of control horses.

Discussion ensued on the motion.

Commissioner McCauley moved to approve the following amendment to Chairman Berry's motion. Commissioner Sronce seconded the motion.

<u>Track</u>	<u>Live Meet</u>	<u>No. of Live Days</u>	<u>No. of Dark Host Days</u>	<u>No. of Total Simulcast Host Days</u>
Hawthorne	3/14/14 – 4/30/15 10/1/15 – 12/31/15	89	36	171
Arlington	5/1/15 – 9/30/15	79	36	189
Fairmount	2/1/15 – 12/31/15		NA	NA
Balmoral	1/1/15 – 12/31/15	95	NA	
Maywood	1/1/15 – 6/30/15	46	NA	365 combined

In its Spring meet Hawthorne will race Sunday, Wednesday, Friday and Saturday; the last three weeks of April it also will race Thursday. During its Fall meet Hawthorne will race Sunday, Wednesday, Thursday, Friday and Saturday, except for October 1, November 26 and December 24 and 25. The total live dates are 89.

In its Summer meet Arlington will race Sunday, Friday and Saturday in May, June and September; Sunday, Thursday, Friday and Saturday in July and August; and also May 25, August 5 and 12, and September 7. The total live dates are 79.

Hawthorne's dark host period will be January 1 through February 5, for a total of 36 days. Arlington's dark host days will be from February 6 through March 13, for a total of 36 days.

1. Spring Start. It is recognized by tracks, horsemen and all concerned that the number of live racing dates must be contracted unless and until substantial new sources of revenue to nurture this industry are delivered. Both upstate Thoroughbred tracks have voluntarily sought fewer dates than were awarded to them for 2014. Winter Thoroughbred racing in Cook County makes little sense. Fans stay home, or if they venture out they tend to bet on races run in such places as Florida and California - that's what the numbers show, and we cannot responsibly ignore reality.

This proposed schedule simply moves those live dates most likely to be gripped by Polar Vortex to the advent of Spring, thereby avoiding the disruption to fans, horsemen, Racing Board services and staffing, and revenue that last-minute weather-related cancellations create. (Let us note, on information and belief, that every cancellation costs the State actual expense of approximately \$10,000 in IRB resources.)

Moving the start of the racing year to mid-March also captures the increased interest in Thoroughbred racing which invariably develops during the Spring. There will be little if any disadvantage to horsemen, as none of their live racing dates will be lost. They simply will be shifted to a time of the year when fan interest is higher, attendance is higher, live handle and purses are likely higher as well- along with attendant increase in tax revenue to the State.

2. Arlington Live Meet. As requested, Arlington will have 79 live racing dates, to be run on those days during its live meet which its management expertise deems best, and subject to Staff's recommendation. Arlington is designed to be a warm-weather facility. Traditionally it has run Chicagoland's summer Thoroughbred meet.

3. Hawthorne Live Meet. As requested Hawthorne will have 89 live racing dates, to be run on those days during its live meets which its management expertise deems best, and subject to staff's recommendation. Racing would start in early Spring, rather than Polar Vortex time. This should result in the higher attendance, handle, purses and tax revenue typically generated on better weather days. While not in our record, I suggest that by judicial notice we note that our neighbors in climate-friendlier central Indiana do not start live racing until the end of March, and next door in Iowa live racing does not start until mid-April.

4. Fairmount Park. Fairmount's climate is significantly milder than that of the Chicagoland tracks. On average, during January and February it is about 7 degrees warmer in Collinsville than it is in Chicago (again, I suggest it allowable to take judicial notice of weather bureau statistics). It is not battered by lake effect blizzards.

Moreover, Fairmount does not compete for the same fans as the Chicagoland tracks do. Nor is competition for dark host days an issue. By allowing Fairmount to begin racing in February, those horsemen stabled at Hawthorne who feel they can take off only one month in Illinois, rather than wait until early Spring, can race at Fairmount until Hawthorne opens in mid- March. In this regard, it is noteworthy that Fairmount's general manager, who has decades of experience as an Illinois racing executive, estimated attendance at Fairmount would be several times greater than it would be at Hawthorne during the Polar Vortex season.

5. Dark Host Simulcasts. Under this proposal, dark host days are evenly divided, 36 each. This recognizes the proposition that many believe it is in the best interest of racing to have two Thoroughbred facilities serving the large and geographically dispersed area of Chicagoland (provided, of course, that each is financially stable and meets the Act's other criteria). As noted, one track is designed for warm-weather racing, the other for colder weather periods. Another benefit of two tracks is that new fans are created by seeing live racing, and so the relative convenience of the respective locations to new fan bases should be considered. I am sure our Board is aware of other reasons to support the notion of having two tracks racing live, provided that they meet our statutory criteria.

This proposal also acknowledges that at least for the year 2015 Hawthorne will be economically viable, provided that it has a reasonable number of dark host days. As importantly, it re-allocates a conservative but meaningful number of dark host days to

Arlington, in recognition of its (i) ongoing, substantial capital improvements; (ii) creative and effective promotional efforts; (iii) dedication to creating new fans and treating all fans to an exceptional entertainment experience, including, *inter cetera*, a clean and friendly environment staffed by very well-trained employees; (iv) commitment to keeping a noteworthy stakes schedule while providing "over-nights" plenty of racing opportunities; (v) superior generation of tax revenue, jobs, amount of purses and breeders awards; and (vi) a variety of other laudable measures which collectively allow Illinois to still be included among estimable horse-racing states.

While Hawthorne's determination to serve the industry's participants during these most challenging of times cannot be undervalued, much less gainsaid, investments on the order of Arlington's must be quantifiably incented. If not, we must anticipate that there may be little justification for those investments to continue. Arlington's parent has many other investment opportunities competing for its capital, and it has a duty to its shareholders to maximize returns. That is the cold, hard truth of business, whether regulated or not, and if we disregard that fact we do so at the risk of diminishing- or perhaps actually losing- our State's flagship facility. How could that be in the best interest of racing or Illinois?

6. Maywood and Balmoral appear to be struggling. Those two tracks obviously are the only Illinois showcases for harness racing. I believe we should largely defer to their management, who appear to be making economically feasible adjustments which they reasonably deem necessary in light of the industry's presently gloomy situation. It is difficult to disagree with Mr. McCaffrey, who delivered compelling and poignantly sincere testimony, and who struck me as an exceptionally dedicated leader of the horsemen for whom he speaks. However, it also seemed that Maywood came to its proposal rather reluctantly and as perhaps the penultimate measure it will take with respect to Maywood Park's future if alternative sources of revenue continue to elude the Illinois horse racing industry. When ownership of a facility cannot profit by shipping its production elsewhere, but nonetheless concludes it must shutter its facility for half a year to keep its sole industry functioning, it had better represent a cause of concern to everyone who cares about Illinois jobs.

In short, we should not force the owner of two facilities to operate both of them, when it likely will result in the further economic peril of both. Despite our best intentions, forcing it to do so may occasion the closing of both, and the concomitant expiration of harness racing in Illinois.

Forgive my stating the obvious: we live in a market economy. The State's regulatory authorities, albeit charged with discretion with respect to licensees, must not impose its political will on the businesses which it regulates. This principle is apposite even when the desired result is generated by very well-meaning intentions, sounding in genuinely noble social aspirations. Such an imposition would strike me as unsupported by application of our statutorily-mandated criteria to the facts at hand. So while my heart goes out to the workers who live in the backstretches and to their children, as I review the Act's criteria which govern us, I simply am unable to include such factors as grammar school opportunities into my deliberation as to the dates which are in the best interest of racing. The children of industry workers undeniably should be the subjects of

care and concern, but I have not been able to discern how the grant of seasonal racing dates adequately addresses such care and concern. That said, I am very able to envision the suffering they will endure if harness racing's demise in Illinois is inadvertently hastened by us.

7. In making this proposal, I am suggesting an allocation of race dates which is conducive to the best interests of the public and the sport of horse racing. I have reviewed the Applications for 2015 racing dates, the Staff Report, the testimony, the exhibits and the closing briefs submitted in connection with the 2015 license hearing. I have considered all such items in their entirety. This proposal, then, takes into account all of the following criteria:

- (1) the character, reputation, experience, and financial integrity of the applicant and of any other separate person that either:
 - (i) controls the applicant, directly or indirectly, or
 - (ii) is controlled, directly or indirectly, by that applicant or by a person who controls, directly or indirectly, that applicant;
- (2) the applicant's facilities or proposed facilities for conducting horse racing;
- (3) the total revenue without regard to Section 32.1 [real estate pari-mutuel tax credit] to be derived by the State and horsemen from the applicant's conducting a race meeting;
- (4) the applicant's good faith affirmative action plan to recruit, train, and upgrade minorities in all employment classifications;
- (5) the applicant's financial ability to purchase and maintain adequate liability and casualty insurance;
- (6) the applicant's proposed and prior year's promotional and marketing activities and expenditures of the applicant associated with those activities;
- (7) an agreement, if any, among organization licensees as provided in subsection (b) of Section 21 of this Act; and
- (8) the extent to which the applicant exceeds or meets other standards for the issuance of an organization license that the Board shall adopt by rule.

Also, in granting organization licenses and allocating dates for horse race meetings, the Board shall have discretion to determine an overall schedule, including required simulcasts of Illinois races by host tracks that will, in its judgment, be conducive to the best interests of the public and the sport of horse racing.

Discussion ensued on the amendment. The amendment failed on a vote of 3 to 7. Chairman Berry and Commissioners Byrne, Reyes, Scates, Schiewe, Spann-Cooper and Whalen voted against the amendment.

The original motion made by Chairman Berry failed on a vote of 5 to 5. Commissioners Byrne, McCauley, Schiewe, Sronce and Whalen voted against the motion.

Chairman Berry moved to approve the following race dates schedule and conditions (cited in his original motion) for 2015. Commissioner Scates seconded the motion.

Balmoral Racing Club, Inc. – 95 live programs and 224 dark host programs for a total of 319

Live racing January 3rd and 4th and January 31st through June 30th, 2 nights per week, Saturdays and Sundays. No live racing on Super Bowl Sunday, February 1st and Easter, April 5th.

Live racing July 1st through December 31st, 2 nights per week, Fridays and Saturdays. No live racing on Christmas.

Maywood Park Trotting Association, Inc.- 46 live programs and zero dark host programs for a total of 46

Live racing January 1st and 2nd and January 29th through June 30th, 2 nights per week, Thursdays and Fridays.

Fairmount Park, Inc.— 52 live programs

Live racing April 7th through September 12th

Racing 2 and 3 days per week on Tuesdays, Fridays and Saturdays. No live racing on Friday, July 3rd.

Arlington International Racecourse, LLC - 77 live programs and 103 dark host programs for a total of 180

Dark host period - January 4th through January 26th

Live racing April 27th through September 30th

Racing 3 days per week in May, June and September, Fridays, Saturdays and Sundays. Racing 4 days per week in July and August, Thursdays through Sundays. Live racing will be conducted on Memorial Day, May 25th and Labor Day, September 7th.

Hawthorne Race Course, Inc. – 83 live programs and 102 dark host programs for a total of 185

Dark host period – January 27th through February 19th

Live racing on January 1st, 2nd and 3rd and February 20th through April 26th racing 2 days per week in February, Fridays and Saturdays, and 3 days per week in March, Fridays, Saturdays and Sundays. No live racing on Sunday, March 1st. Racing 4 days per week in April, Wednesdays, Fridays, Saturdays and Sundays. No live racing on Easter, April 5th.

Live racing October 1st through December 31st

Racing 4 days per week, Wednesdays through Saturdays. No live racing on Thursday, October 1st, Thanksgiving, November 26th, and Christmas Eve and Christmas.

Commissioner Byrne moved to approve the following amendment to Chairman Berry's motion. Commissioner Whalen seconded the motion.

Balmoral Park – 96 live programs and 170 dark host programs for a total of 266

Live racing January 3rd and 4th and January 31st through December 27th, 2 nights per week, Saturdays and Sundays. No live racing on Super Bowl Sunday, February 1st and Easter, April 5th.

Maywood Park – 96 live programs and 3 dark host programs for a total of 99

Live racing January 1st and 2nd and January 29th through December 31st, 2 nights per week, Thursdays and Fridays. No live racing on Thanksgiving, November 26th, Christmas Eve and Christmas.

Fairmount Park – 54 live programs

Live racing March 24th through September 7th

Racing 2 and 3 days per week on Tuesdays, Fridays and Saturdays. No live racing on Friday, July 3rd.

Discussion ensued on the amendment. The amendment passed on a vote of 6 to 4. Chairman Berry and Commissioners McCauley, Reyes and Sronce voted against the amendment.

Chairman Berry re-stated his motion including the amendment.

Balmoral Park – 96 live programs and 170 dark host programs for a total of 266

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Live racing October 1st through December 31st

Racing 4 days per week, Wednesdays through Saturdays. No live racing on Thursday, October 1st, Thanksgiving, November 26th, and Christmas Eve and Christmas.

The amended motion passed by a vote of 6 to 4. Chairman Berry and Commissioners McCauley, Reyes and Sronce voted against the motion

APPROVAL OF MINUTES

Chairman Berry moved to approve the minutes of the August 14, 2014 Board meeting. Commissioner Byrne seconded the motion. The motion passed unanimously by voice vote. Commissioner Spann-Cooper abstained.

ADJOURNMENT

At 12:05 p.m., Chairman Berry motioned to adjourn the meeting. Commissioner Byrne seconded the motion. The motion passed unanimously by voice vote.

Respectfully submitted,



Marc Laino
Executive Director